

O 191654Z MAY 09  
FM AMEMBASSY CAIRO  
TO SECSTATE WASHDC IMMEDIATE 2469  
INFO HQ USCENTCOM MACDILL AFB FL PRIORITY  
JOINT STAFF WASHINGTON DC PRIORITY  
SECDEF WASHINGTON DC PRIORITY

S E C R E T CAIRO 000876

FOR NEA/ELA AND PM

E.O. 12958: DECL: 05/12/2019  
TAGS: [PREL](#) [MASS](#) [MOPS](#) [ETTC](#) [EG](#)  
SUBJECT: \$14 MILLION IN ADDED COSTS TO TANK CO-PRODUCTION  
PROGRAM GROWING AT \$1 MILLION A MONTH

REF: A. CAIRO 458  
[1](#)B. 2008 CAIRO 2002

Classified By: Ambassador Margaret Scobey per 1.4 (b) and (d).

[1](#)1. (U) This is an action message. See para 2 for action requested.

[1](#)2. (S/NF) Action request: Delays in USG approval of Egypt's outstanding LOR for M1A1 co-production have forced a slowdown of Increment 10's production rate and added approximately \$14 million to total costs. All future delays in approval beyond that will cost another \$1 million a month. Failure to approve the LOR by June 1 will mean the total added costs are \$15 million. Embassy requests urgent approval of the LOR to avoid incurring further costs. End action request.

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Comment  
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[1](#)3. (S/NF) Post understands that approval for Increments 11 and 12 is currently being held over concerns with Egypt's recent end-use violations (ref A). We agree that a swift resolution is needed to address U.S. concerns over Egypt's end-use obligations, but believe that delaying the M1A1 MOU is no longer an appropriate vehicle to address those concerns. A break between future production lines or slowing the current production rate any further are both costly options. The Egyptians believe that the MOU is being held because of end-use concerns, but we have not linked the delay to a specific remedy. Post recommends that any proposed resolution be based on a specific request for Egyptian action, such as MOD acceptance of end-use training for a wide range of personnel, which the Office of Military Cooperation is ready to provide at any time. We also recommend that end-use issues become a permanent part of our bilateral dialogue through the annual Military Cooperation Committee meeting. End comment.

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Background  
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[1](#)4. (S/NF) The M1A1 co-production program started in 1988 with the signing of a Memorandum of Understanding (MOU) with the GOE, which approved the production of up to 555 M1A1 tanks. Over the last 20 years, the program has benefited both our economies and has allowed the Egyptian military to replace obsolete Soviet-era equipment. The co-production program employs approximately 2,500 Egyptians and the majority of the components, such as the engines and transmissions, are manufactured in the U.S.

[1](#)5. (S/NF) The MOU has been amended five times to allow for the production for up to 1005 tanks. To date, approximately 845 tanks have been manufactured. In April 2008, Egypt submitted a request to amend the MOU for an additional 250 tanks (Increments 11 & 12) for a new overall total of 1255. Post provided a Country Team Assessment in support of the

amendment in September 2008 (ref B). Due to delays in USG approval for the LOR, the U.S. and Egypt agreed in March 2009 to slow down current production (Increment 9), in an attempt to avoid a costly break in the production line. Immediate approval for amending the MOU is needed to avoid adding \$1 million a month to the \$14 million of estimated additional costs already caused by the delay.

SCOBAY